

Statement from Minister for Industry, Science and Technology, Matt Canavan to 7.30. 20 August 2019

1. Several people have said to us that while the government's actions (depending on the details) might stop gas prices getting worse, the days of cheap gas are over, and they won't put a significant dent in prices. What do you say to that?

Answer

Australian gas prices will not return to their historically low levels unless we make major, new oil discovery. Cheap gas tends to exist when it is a by-product of a larger oil basin. There is not much oil left in the Bass Strait and the gas that is left has a higher cost to develop. The coal seam gas fields of Queensland do not have any oil and are also higher cost forms of gas production. They are also a great distance from many of our traditional manufacturing centres in southern Australia. The transport costs from Queensland alone can be up to a third of the delivered price of gas in southern Australia.

The Australian Government's actions have helped lower gas prices, which are down by around a quarter since they peaked in early 2017. Contract offer prices have fallen by up to half in some cases. The Australian Energy Market Operator and the Australian Competition and Consumer Commission have both found that the actions of the Australian Government have helped to ensure supply and bring down prices in the domestic market.

Nothing the Government can do will alter geological and geographical facts. The only way to achieve substantially lower gas prices is to make new discoveries and that is why the state government's unscientific bans on gas production make no sense.

2. The gas industry is critical of any intervention in the market, and says it could have the opposite intended effect – that it could stifle investment, lowering supply, and pushing up prices. What do you say to that?

Answer

Market intervention should always be a last resort of Government and only undertaken when there are significant structural issues that can't be addressed in other ways. This is what we are facing.

The oil and gas industry has shown it can work with government in reserving gas for the domestic market while investing more than \$150 billion in new projects in Western Australia and Queensland. In Western Australia, new gas investment has continued with a reservation scheme which is delivering certainty in domestic supplies and lower prices at around \$4 per gigajoule.

3. Senator Patrick has described the east coast gas market as one run by a cartel. Are a small number of players on the east coast pushing up prices for consumers?

Answer

I have said consistently that more gas supplies and more gas suppliers is the best way to increase competition and lower gas prices.

The Government has extended the work of the ACCC in monitoring gas markets out to 2025. The ACCC has specific and strong powers to prosecute cartels in markets if and where they are found to exist. To date the ACCC has not found evidence of a cartel operating in the east coast gas market.